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An American Banker Special Report

Banks Encroach on Wall Street's Turf

By DAVID NEUSTADT

NEW YORK

COMMERCIAL banks have passed a major test of their ability to compete on Wall Street's turf. They have become major competitors in the private placements market.

In no other area traditionally dominated by investment banks have the commercial banks done as well.

In 1983, Bankers Trust Co. — the commercial bank most active in private financings — had only 11% of the volume of Salomon Brothers Inc., that year's market leader. In 1986, the leading commercial bank in the field, Citibank, had only a third of the volume of the top firm, Goldman, Sachs & Co.

The figures for 1987 show that the gap between the top investment bank and the top commercial bank can no longer be considered insurmountable. Bankers Trust, again the top commercial bank, had $9 billion in private financing, which amounted to 60% of top-ranked Salomon's $14.9 billion. And Bankers Trust, which more than doubled its 1986 volume, is now within reach of second place First Boston, which was agent on $11.5 billion and sixth place Merrill Lynch Capital Markets, with $9.3 billion.

"We are right up there next to Merrill and Goldman," crows Neil Powell Jr., a Bankers Trust managing director.

After seven years of false starts, commercial banks made a sustained push in the private placement market that carried them to a solid 26% market share in 1987, from 12.3% in 1984, according to IDD Information Services.

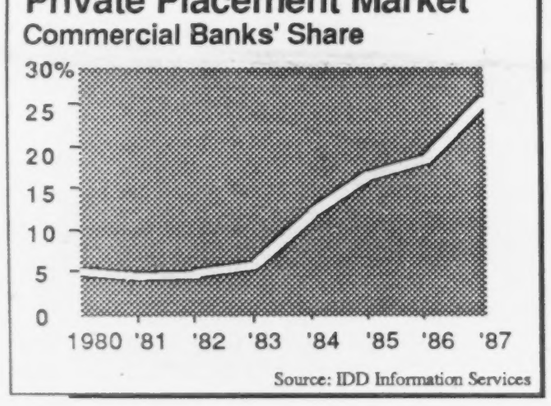
WHILE only two commercial banks, Bankers Trust and Morgan Guaranty Trust Company of New York, were among IDD's top 10 private placement agents, banks represented eight of the top 20.

"They have become a substantial force," says Ralph Fletcher, a Salomon Brothers director.

A private placement is the sale to a limited number of investors of a security not registered with the Securities and Exchange Commission. The key to success is matching the needs of institutional buyers and corporate issuers. Since there is no need for registration, deals can be done quickly, and personal relationships are important.

"Hundreds of millions of dollars worth of deals have been done on basically an oral handshake over the phone," says John Plover, an investment officer at the Travelers.

The market is growing fast. Private financings totaled $135 billion in 1987, up from $73 billion in 1985, according to IDD.



"The private market is anywhere from 25% to 40% of the total capital raised in the U.S. capital markets, so just by being good in that business we can cover, say, one-third of the U.S. long-term capital market," says Robert Lawrence, who runs Citibank's private placement unit.

Insurance companies say they often cannot find enough good placement deals. "From way back we sought out the banks" to educate them about private deals, says Mr. Plover. "We need more sources of deals."

Private placements are attractive for several reasons.

- Banks can provide financing without using their own capital. A private placement agent does not buy securities, but acts as intermediary bringing together the corporate borrower and the institutional investor.
- Banks can garner fee income with relatively few expenses. Fees range from one-eighth of one percent on simple debt issues up to 2% or even higher on complex structured deals. As much as 80% of the fees drop to the bottom line.

Assuming an average fee of 1%, revenues on Bankers Trust's $9 billion of placements could have been $90 million, and profits could have been as high as $70 million. "It's highly profitable," says Mr. Powell, who would not confirm or deny the estimate.

- Institutions can develop investment banking skills in anticipation of the repeal of Glass-Steagall Act. "Glass-Steagall leaves us with a more limited set of tools domestically, which means we want to be very, very strong and very, very capable with those tools that we have," says Tracy Lavery, a Chemical Bank managing director.

Despite the enticements, banks have

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Since the early 1980s, commercial banks have made a concerted effort to reap investment banking fees from activities not expressly prohibited by regulators and the Glass-Steagall Act. For the big banks, these areas are crucial for maintaining relationships with major corporations. In a five-part series beginning today, the *American Banker* looks at how banks have progressed in key areas: private placements, international mergers advice, domestic merger and acquisition advice, municipal bonds, and swaps, including currency and interest rate protection.

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April 4, 1988, American Banker

Early Retirement Offers Pros and Cons for Banks

By DR. PAUL S. NADLER

MANDATING retirement dates is a tough decision for most banks. It is certainly true as far as members of boards of directors are concerned.

All too often, a bank has a board whose outside members are no longer active in their businesses. The telltale clue is when the identification next to the name says "investments" or simply "ex-president" or "retired."

In some instances, the contacts, experience, and wisdom of these people can help the bank markedly. But in other cases, their aging can be a decided drawback. Many of them have honestly become out of date and therefore cannot deal with the complex issues that a board should handle. Other retirees look at their board status as just something to do, so they take up board time with reminiscences and reminders of how it was done better in the past.

Allso, they are often afraid of losing the seat, because it is the one business tie they keep. So they go along with management a little too readily out of fear of not being renominated. Thus they end up not doing the job they are supposed to do as individuals who can question management's decisions.

Finally, the basic reasons why outside board members are appointed are their knowledge of outside industry and professions and their contacts. But the fact that they have retired from their regular businesses makes them far less useful to the bank than they were when they were active.

Thus some banks have a policy of requiring that board members resign when they leave their outside employment, no matter what their age. Nothing burns a chief executive officer more than to have a member of a director's family call up and say, "What will Dad do if you throw him off the board?" A board membership is not the recreation department of a retirement home; it is the basic guts of a bank.

Nadler Says:

It's a tough call: youth and its boundless enthusiasm — or older people with contacts, experience, memories, and justified fears of what might happen.

More Prevalent

In any event, the establishment of a mandatory retirement age for all board members, whether or not they are still active in their businesses, is becoming more and more prevalent, both because of regulatory demands and changed bank policy. Undoubtedly these policies can be hard to implement when it means throwing a good friend off the board after many years of association.

But as lawsuits against boards multiply and board members become more and more aware of their responsibilities, they also have to think of their own positions. This often means accepting the fact that a board post cannot be an honorary award. Each board member must help push the board along.

While we are seeing retirement age of board members scaled down in our highly competitive and litigious banking environment, what about the age for retirement of bank officers and employees?

In many instances, the requirements are set by law or tradition, and there is little the bank can do about them.

But are early retirement policies sensible?

Some banks have instituted a policy of offering early retirement at, say, 55, to clear the path for younger people who otherwise might leave out of frustration.

In some instances, this has been marvelous for the bank. It has cleared the way for bright, aggressive tigers with new ideas to sweep into top positions without making the people formerly in these positions bitter.

But is this always smart for the bank?

Some fear that the good people, who can get other jobs, will take early retirement, while the dead wood that knows it can't go elsewhere will hang in there — so the bank's staff quality will be reduced rather than aided by the early retirement policy.

I have seen many instances in which top officers of major banks that offered early retirement soon are working their tails off for some smaller institution. Not only are they having more fun than they have had in years, they are also bringing to the smaller organization both ideas and experience that should rightfully have been used for the benefit of the bank they had served for so long.

For example, one man who had been head of correspondent banking at a major money center organization was pushed aside at age 55. He simply took his talents and valuable contacts to another organization and started generating business as soon as he had learned where the coffee machine was. In this instance, contacts and years of friendship were sacrificed by the major bank for the opportunity to get a younger man in the top correspondent spot. But it appeared to be a bad bargain for the bank, all things considered.

Best of Both Worlds

How can a bank get the best of both worlds? How can it offer to retire people at 55 and still keep the ones who can be truly helpful to the organization?

Some banks say that the chief executive has gone to the people the company wants to keep and indicated to them privately that the bank would not be sorry if they turn down early retirement, even though it looks beneficial at the present time. Other banks have offered consulting positions to those who are truly valuable.

And yet others have simply looked at the benefits of turning over positions and giving new blood a chance, and they decided that if it meant the loss of talent, experience, and contacts, so be it.

But outside observers fear that along with promoting the bright young talent, banks will develop a void as far as those who have seen troubles in the past that match those we may be headed for today.

"You don't remember the Depression," was a cry that young lending officers scoffed at, as the old-timers warned them when real estate investment trust loans, international loans, tanker loans, and the like were placed on the books a decade or so ago. But after the debacles we experienced in these fields, many bankers, looking at their losses, felt like calling up the retirement homes and saying, "Can you let Gridley out on Wednesday afternoons for loan policy meetings?"

It's a tough call: youth and its boundless enthusiasm, or older people with contacts, experience, memories, and justified fears of what might happen.

As usual, the answer has to be compromise, and the banks that try to get rid of all older people in a spring housecleaning may well be the losers.■

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

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Editor: William E. Zimmerman
Managing Editor: Brian P. Sullivan
News Editor: Thomas J. Ferris
Associate Editors: Laura Gross, Sanford Rose, David O. Tyson

NEWS BUREAUS:
Washington: Chief, Robert Trigaux, 911 National Press Building, Washington, DC 20045; (202) 347-5529; Telecopier: (202) 628-6522.
Midwest: Chief, Richard Ringer, 53 W. Jackson Blvd., Suite 230, Chicago, Il 60604; (312) 663-6380; Telecopier: (312) 939-4925.
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Southwest: Chief, David LaGesse, Suite 1600, 8080 North Central Expressway, Dallas, TX 75206; (214) 891-8878; Telecopier: (214) 696-0050.
New England: Chief, Michael Weinstein, 210 South St., Boston, MA 02111; (617) 542-6848
London: Chief, John J. Duffy, American Banker, c/o Infopac S.A., 31-35 Beak St., London W1R 3LD England; (011) (441) 439-3066; Telecopier: (011) (441) 734-5153.

Feature Editions Editor: Patricia Stundza
Chief Statistician: L. Michael Cacace
Senior Editor, Copy Desk: Aileen L. Kyte
Art Director: Pamela Budz
Contributing Editor: Paul S. Nadler

President: George W. Landgrebe
Executive Vice Presidents:
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Information Products - Robert S. November
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Vice Presidents:
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Chicago: (312) 663-6390
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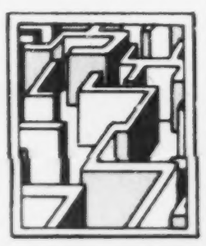
Remember, we need your views to be a true community newspaper.

MEMORY BANK

The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 6.

1. Bogus checks, apparently treated with an undetermined chemical or written with tainted ink, have been used in recent days to bilk banks in the Chicago area out of nearly $50,000. What property of these checks makes them useful for swindling banks?

2. Salomon Brothers Inc. has bumped Bankers Trust New York Corp. from its roster of 45 recommended companies whose earnings and stock prices are expected to increase in the next few quarters. Name the two banking companies that Salomon deemed worthy of including in its list of 45 potential rising stars.

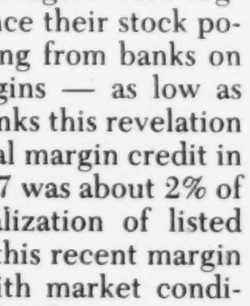


3. Federal regulators are griping to bank executives about the timeliness and accuracy of their call reports. Several thousand banks that missed last quarter's submission deadline for call reports exposed themselves to the current penalty of $100 a day. Stressing the indispensability of this data to effective bank supervision, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corp. have asked Congress to raise the late-filing penalty to $..... a day.

4. Continuing his inquiry into the causes of the October stock market crash — and the likelihood of a recurrence — commentator Martin Mayer draws some disquieting conclusions from a study of the margin-lending habits of banks. He marshals evidence suggesting that many nonspecialists and arbitragers were regularly able to finance their stock positions by borrowing from banks on "good faith" margins — as low as 20%. Mr. Mayer links this revelation to the fact that total margin credit in early October 1987 was about 2% of the market capitalization of listed shares. How does this recent margin figure compare with market conditions in October 1929?

5. What change in Japanese banking regulations, effective April 1, will be felt by consumer savers in Japan's maruyu system, whose combined deposits are estimated at $2.42 trillion?

6. Now that Sears, Roebuck and Co. — for the first time — has released 1987 volume figures for its Discover all-purpose credit card, it is possible to draw some meaningful comparisons with Visa and MasterCard. The Sears annual report reveals, for example, that usage by the average Discover cardholder nearly doubled from 1986 to 1987. Match these 1987 yearly usage figures with the appropriate credit cards: $273, $840, $909.



7. A survey conducted by the University of Virginia shows that new car loan volume declined 14% last year at member banks of the Consumer Bankers Association. With inventory of both domestic and imported automobiles expected to exceed demand this summer, association members have been warned to be on the lookout for the practice of subvention. Define this term.

— Robert Paul Molay

April 4, 1988, American Banker

Commercial Banks Nudge Wall Street

Continued from Page 1

been slow at getting their act together. "It is a surprising thing that banks were not a bigger and a more important factor a long time ago," says Homer Rees, a managing director at Prudential Insurance Company of America, probably the biggest single investor in private placements.

Banks have a natural advantage, Mr. Rees says: "They have a tremendous client base and an army of calling officers."

But for a long time, banks had trouble tapping the market. After the Federal Reserve Board confirmed that commercial banks could act as agents for private placements in 1977, a number of banks set up specialized units and talked about taking on the investment banks. Banks experienced some initial success, but their efforts were inconsistent and their gains limited.

"A lot of banks tried the business and then backed away," says Foster Aborn, president of John Hancock Mutual Life Insurance Co.'s investment and pension sector.

Banks faced a number of obstacles, including a lack of credibility. Most companies viewed private placements as falling within the province of investment banking services and tended to give the assignment to investment banking firms.

But the most serious problems were not the perceptions of outsiders. "We had a harder sell internally than externally," says Michael Neilson, a Manufacturers Hanover Trust Co. senior managing director. Bank calling officers were geared to booking loans. They did not understand private placements, and they did not like turning over their clients to investment bankers, even within their own institution.

Banks also had trouble keeping private placement professionals because they were not willing to offer compensation competitive with Wall Street. "The inability to build and keep good people was the principal reason why some banks have not been able to climb up the league tables any more than they have," says Mr. Powell.

In 1980, Citibank was the top commercial bank on IDD's rankings, finishing No. 10 overall with a 2.5% market share. But the bank dropped to No. 21 with a 0.5% share in 1981, and it did not recover for three years.

INVESTMENT BANKING: How Are Banks Doing?

"Until about 1984, the bank's private placement business was caught up in the bank's general ebb and flow of seriousness about the investment banking-merchant banking business," says Citibank's Mr. Lawrence.

The situation began to change in the mid-1980s. Banks were losing corporate lending business and were under pressure to reduce use of their own capital. So they made a big push in investment banking, and especially in private placements.

"Banks have had a tough time for a number of years," says Mr. Rees. "It is only recently — after they hired experienced people, paid them as if they were investment bankers, motivated them properly, and turned the entire organization into an investment bank — that they have gotten the right focus and people, and culture, and now some are doing very well."

Commercial banks finally began to take advantage of their valuable base among middle-market companies.

"The lines of communication [with companies] are open," says Chemical's Mr. Lavery. The key now "is pushing the investment banking ideas, investment banking judgments, and investment banking expertise through the pipeline."

"In traditional fixed-rate medium- to long-term corporate placements, the commercial banks have made very little headway; the investment banks dominate that," says John D. Miller, an executive vice president at Equitable Capital Management Corp., a subsidiary of Equitable Life Insurance Co. "Where they have made headway is in specialized kinds of transaction, like leveraged leases, mortgage-backeds, off-balance-sheet deals, and structures that are not straightforward private placements."

"It just is kind of natural for us to do deals that are not plain vanilla broadly-distributed deals," says Mr. Lawrence of Citibank. "And, of course, the whole market has been moving that way, so it has kind of been in our favor."

Investors, under pressure to increase their returns, value unusual deals if they are well structured. "A deal source that can produce higher-rate-of-return deals is more highly prized by us than a source of just plain vanilla deals," says the Travelers' Mr. Plover.

Two banks showed substantial gains in 1987 on IDD's list, but neither had provided data in the past. Chemical was No. 14 with $3.4 billion in financing in 1987, up from No. 27 with $137 million the previous year. Security Pacific National Bank, which was not on IDD's list in 1986, handled $1.8 billion in financings to grab the No. 18 spot. The other big gainer was Manufacturers Hanover, which surged to No. 22 with $869 million in financings, from No. 26 with $146 million in 1986.

Not every bank gained. Bank of America continued a three-year slide, dropping to No. 19 with $1.4 billion, from No. 16 with $2 billion in 1986. In

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Demystifying The Numbers

Tallying private placements is difficult because the deals are private, forcing firms like IDD Information Services to rely primarily on banks and brokers for information. It also is becoming increasingly difficult to define a private placement.

Traditionally, private placements were corporate debt securities bought by insurance companies. Securities sold privately now include many unusual asset-backed securities, equities, subordinated debt, debt with registration rights, and lease financings. And buyers are many types of financial institutions.

There are tallies done by firms that are not even close to IDD's numbers. Almost every private placement professional accuses at least some competitor of padding numbers, all the time maintaining that his or her firm's numbers are pristine.

IDD has a list of criteria and analyzes submitted deals to be sure they qualify. For example, the securities must have a maturity of at least one year and be placed with a nonbank third party.

Bridge loans were not included in 1987. Bank loans and participations also were not included, though it is increasingly difficult to distinguish that market from the private placement market.

IDD changed its criteria for 1987, so 1986 figures are not directly comparable.

— **David Neustadt**

Banks' Private Placement Rankings

Dollar amounts in millions

	1987 Rank	1987 Amount	1987 No. Issues	1986 Rank	1986 Amount	1986 No. Issues
Salomon Brothers	1	$14,945	244	3	14,560	323
1. Bankers Trust	7	9,028	210	10	4,311	160
2. Morgan Guaranty	10	6,834	83	9	4,402	64
3. Citibank	11	5,954	147	7	6,696	159
4. Chemical Bank	14	3,408	132	27	137	3
5. First Chicago	15	3,287	81	13	2,754	101
6. Chase Manhattan	17	2,437	82	14	2,549	98
7. Security Pacific	18	1,809	17	NA	NA	NA
8. Bank of America	19	1,368	85	16	1,973	123
9. Manufacturers Hanover	22	869	41	27	146	10
10. Bank of Boston	29	203	7	29	93	7

Source: IDD Information Services

Acquisition-Related Private Placements

	Overall Rank	1987 Amount ($Mil.)	1987 No. Issue
Drexel Burnham Lambert	1	$5,347	88
1. Morgan Guaranty	5	744	6
2. Bankers Trust	9	581	14
3. Chemical Bank	11	479	17
4. First Chicago	15	120	6

Source: IDD Information Services

Lease-Related Private Placements

	Overall Rank	1987 Amount ($Mil.)	1987 No. Issue
Salomon Brothers	1	$2,432	41
1. Bankers Trust	5	1,552	18
2. Citibank	10	469	13
3. Bank of America	12	378	51
4. Chase Manhattan	13	316	12
5. First Chicago	14	253	4
6. Chemical Bank	15	198	5
7. Morgan Guaranty	18	23	1
8. Manufacturers Hanover	19	11	1

Source: IDD Information Services

Securitized Private Placements

	Overall Rank	1987 Amount ($Mil.)	1987 No. Issue
First Boston	1	$3,404	54
1. Bankers Trust	3	1,974	19
2. Citibank	4	1,816	49
3. Chase Manhattan	9	1,371	38
4. Chemical Bank	11	1,036	9
5. Morgan Guaranty	12	803	3
6. Security Pacific	15	475	4
7. Bank of America	16	225	20
8. First Chicago	19	157	2

Source: IDD Information Services

Certificate of Deposit Private Placements

	Overall Rank	1987 Amount ($Mil.)	1987 No. Issue
Shearson Lehman Hutton	1	$3,330	31
1. Bankers Trust	3	1,125	53
2. Citibank	4	535	23
3. Chemical Bank	5	315	54
4. Manufacturers Hanover	8	179	11
5. Morgan Guaranty	9	150	5
6. Chase Manhattan	11	75	3
7. Bank of America	15	7	2

Source: IDD Information Services

Plain Vanilla Debt Private Placements

	Overall Rank	1987 Amount ($Mil.)	1987 No. Issue
Salomon Brothers	1	$9,181	112
1. Morgan Guaranty	4	4,001	56
2. Bankers Trust	9	3,075	82
3. First Chicago	11	2,748	66
4. Citibank	12	2,626	51
5. Chemical Bank	15	1,456	49
6. Security Pacific	16	1,334	13
7. Bank of America	20	691	10

Source: IDD Information Services

Commercial Banks Capture 26% of Private Placement Market

→ Continued from Page 14

1985, it was 12th with $2.2 billion. Citibank also dropped, ranking 11th with $5.9 billion, down from seventh place with $6.7 billion in 1986.

The private placement market is quite diverse, and banks are finding different roads to success as illustrated below:

Bankers Trust: "People really don't regard Bankers Trust as a commercial bank anymore," Mr. Powell says explaining the bank's success in private placements.

Mr. Powell claims that Bankers Trust, which finished seventh overall, was robbed of the No. 6 spot. IDD combined the 1987 figures for Shearson Lehman Brothers Inc. with those of E.F. Hutton & Co., even though the two firms did not merge until this year, pushing Shearson ahead of Bankers Trust.

"We have more distribution capability than product to distribute," Mr. Powell says. As one solution to that problem, the bank has developed exclusive partnerships with six very strong, well-positioned regional banks," he says, including "the strongest regional in the South, a very strong one in the Midwest, one in Ohio, and one in New England." Bankers Trust provides the private placement expertise, and the regionals provide the clients. Mr. Powell would like to add three or four more banks, but no more, because he wants to avoid conflicts.

Citibank: If the bank's tally was down at IDD, that is because the financial data firm changed its criteria, according to Mr. Lawrence. "Our revenues were up very substantially," he says.

Mr. Lawrence says the bank's biggest deal in 1987, raising $400 million for an issuer he would not identify, exemplifies the bank's direction: toward value-added, innovative deals. Most securitized deals involve the sale of contractual receivables.

In this case, Mr. Lawrence says, investors for the first time purchased the right to future cash flows from a commercial contract that can be canceled. "They bought the right to future receivables which may or may not be generated," he says. And, unlike many such deals, there is no hard asset as collateral.

Citibank has since done another similar deal, which he also would not identify.

Chemical Bank: "This wasn't building from scratch," says managing director Tracy Lavery of Chemical's strong growth. "We are taking in-place resources and focusing them." The strategy is to target industries, such as real estate, energy, and entertainment, where Chemical is already strong. Then the bank looks for situations that lend themselves to private placements, such as financing for a joint venture, or a subsidiary, or the U.S. branch of a foreign company.

Security Pacific: In 1979, Security Pacific hired an executive from Goldman Sachs and set up a private placement unit. If IDD's rankings are any indication, not much happened. In recent years, the Los Angeles bank refused to report its numbers to IDD.

Then, in January 1987, the bank hired two professionals from First Chicago Corp. Security Pacific made them the core of a new private placement unit located in the Windy City, that now employs five and is growing. Security Pacific's $1.8 billion in financings on the 1987 IDD list is partly just better reporting by the bank. But a significant portion is new business, according to vice president Dennis Emmerick, who came from First Chicago.

Bank of America: The numbers that show the San Francisco bank's private placements falling by 38% over the last two years are misleading, according to Gregory Johnson, manager of private placements. The decline is partly explained by the bank getting out of the mortgage-backed business, he says.

Despite IDD's numbers, both volume and — more important — fees are up for his unit, Mr. Johnson says. That claim is supported by the fact that three of four insurance company executives interviewed for this article included Bank of America on their short list of major commercial bank players in private placements.

Manufacturers Hanover: The bank placed a new emphasis on private deals in 1985, which finally paid off last year. "You have to prove to the calling officers that you are value-added," says Michael Neilson, the senior managing director in charge of capital markets. "Once they see you can perform, you are off to the races."

Manufacturers built its private business on its middle-market ties in the New York area. And the seven-member group is working with other areas of the bank, such as acquisition finance and real estate. Manufacturers also did about $500 million in swap-related placements last year, which are not counted by IDD.

Continental Illinois: The Chicago company was the No. 5 commercial bank on IDD's list in 1984, with $747 million in volume, but dropped off the list completely in 1987. Continental Illinois National Bank and Trust Company of Chicago decided not to file its deals because it believes the numbers are inflated, according to Dennis McCrary, the senior director who runs the nine-person private placement unit.

If it had reported, its 1987 volume would have been $775 million, Mr. McCrary says. Assuming IDD accepted that number, Continental would have finished 19th and added about another half of a percentage point to commercial banks' share of the market.

Continental does not shun straightforward deals — it is working on two $100 million-plus transactions — but its strategy is to focus on the high value-added transactions. Mr. McCrary explains: "We could work on a $75 million deal and make $150,000 if the issuer is a high quality triple-B or single-A. Or we could work on one $10 million subordinated deal and make $500,000. There is more work involved to get the deal done, but I think the competition is not as intense."

Next: The investment banking role played by Chemical Bank's United Kingdom leveraged finance subsidiary in the largest management buyout in British history.

Plain Vanilla Equity Private Placements

	Overall Rank	1987 Amount ($Mil.)	1987 No. Issue
Morgan Stanley	1	$2,802	13
1. Morgan Guaranty	4	1,113	12
2. Bankers Trust	6	722	24
3. Citibank	9	508	11
4. Bank of America	20	66	2

Source: IDD Information Services

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REPORT OF CONDITION OF

Fidata Trust Company New York

New York, New York, 10004

at the close of business December 31, 1987, a state banking institution organized and operating under the banking laws of this State and a member of the Federal Reserve System. Published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Thousands
Cash and balances due from depository institutions	
Noninterest-bearing balances and currency and coin	$ 98
Securities	33,932
Federal funds sold and securities purchased under agreements to resell	1,500
Other assets	8,561
TOTAL ASSETS	$ 44,091
LIABILITIES	
Deposits:	
In domestic offices	$ 1,665
Noninterest-bearing 1,665	
Other liabilities	4,554
TOTAL LIABILITIES	6,219
EQUITY CAPITAL	
Common stock	$1,300
Surplus	10,805
Undivided profits and capital reserves	25,767
TOTAL EQUITY CAPITAL	37,872
TOTAL LIABILITIES AND EQUITY CAPITAL	$ 44,091

I, Peter A. Kase, Vice President Finance, of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

PETER A. KASE
December 31, 1987

We, the undersigned directors, attest the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

IRA SCOTT
LEOPOLD RASSNICK
C. BOWMAN STROME, JR. | Directors

Duff & Phelps Inc. CREDIT RATINGS

Week Ending April 1, 1988

New Issues:	Rating
Fixed Income	
Brazos River Authority (Texas)/Texas Utilities Electric Company Project - PCRB (Col.), Series 1988A	8
CPC International Inc. - Debt (Shelf)	6
Connecticut Light and Power Company - F&RMB (Shelf)	7
Niagara Mohawk Power Corporation - FMB (Shelf)	8
Northern States Power Company - Wisconsin - FMB	2
Philadelphia Electric Company - F&RMB (Shelf)	9
Southwestern Bell Capital Corporation - Med.-Term Notes	5
New Ratings:	
Fixed Income	
American Pioneer Commercial Loan REMIC Trust, Series 1988-1	3
Merrill Lynch & Co., Inc. - Remarketed Pfd. Stock, Series C	6
Commercial Paper	
General Dynamics Corporation	Duff 1+
Ratings Reaffirmed:	
Fixed Income	
Zenith Electronics Corporation - Sr. Debt	11
Zenith Electronics Corporation - Sub. Debt	12
Claims Paying Ability	
The Travelers Insurance Company	1

Ratings Changed:	From	To
Fixed Income		
Texas Utilities Electric Company - FMB/PCRB (Col.)/Debs.	7	8
Texas Utilities Electric Company - Pfd. Stock	8	10
Commercial Paper		
Texas Utilities Company	Duff 1-	Duff 2

For information contact: Tom Schroeder V.P.
Duff & Phelps Inc., 55 E. Monroe Street
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